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Speech

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Wellbeing Conference, HM Treasury

25 November 2010

Richard Layard

This is a wonderful day for the cause of happiness. For the first time in British history, well-being is accepted as a proper objective of government policy, and therefore worth measuring as accurately as possible.

However, this raises many questions and I want to address four of them:

- Is subjective well-being the legitimate business of government?
- Can we measure it?
- What causes it?
- What are the policy implications?

1. The business of government

So is it a legitimate concern of government? Well if it is not, it is difficult to think what should be. As Thomas Jefferson said “The care of human life and happiness and not their destruction is the only legitimate object of good government”. That was the message of the Anglo-Scottish enlightenment in the eighteenth century and it is as plausible today as ever. In fact it is what the British people believe. In a nationally representative poll conducted by GfK/NOP in 2005, people were asked whether “A government’s prime objective should be achieving the greatest happiness of the people, not the greatest wealth”. Over 80% agreed and only 13% disagreed.

Even so when I recently proposed this in my book on Happiness one newspaper review was headed “The Happiness Police” and another the “Bureaucrats of Bliss”. This is of course absurd. No government can force people to be happy, any more than it can force them to be more productive, or to go to university. In each case the government tries to create the conditions in which people can flourish in different

ways. As for freedom, no government that cares about happiness will be over dirigiste since it is an empirical fact that freedom is one of the basic conditions for happiness.

So in my ideal world the government would choose its policies so as to maximise the happiness of the population, subject to the normal resource constraints. It would not however maximise the **average** level of happiness but would give more weight to preventing misery than it would to promoting the upper ranges of happiness. But its central focus would be, as Jefferson proposed, the happiness of the people, and economic growth would only matter as a means to an end.

So how would the government implement this? It would need detailed information on how its policies affected well-being, which could only come as part of a wider model of all the factors which affect well-being. The science of happiness has already taken us a good way towards this, but the detail and coverage still needs a lot more work. Having these new official surveys will make that work a lot more feasible.

When that has been done, we can have a new form of cost-benefit analysis. And high time too. The rules set out in the present Green Book measure benefits in terms of willingness-to-pay. This is fine where individual choice can reveal valuations, but that is not the case in most areas where the government spends its money. It's not true of health (physical or mental), crime prevention, child protection, elderly care, public parks nor the relief of poverty. Instead we need to measure benefits in units of well-being and we need to analyse redistribution using the findings of happiness research, which show that a pound is worth ten times more to a poor person than to someone ten times richer.

That's the ideal – whether expenditure is rising or being cut. And I would hope that in less than twenty years policy in this building might be made that way. But even if it is not, what is now happening will get us a lot nearer to knowing what we need to know in order to make good policy.

2. Measurement

But **can** we measure well-being? There is already a long history of doing so. In the U.S. it goes back to 1946 and for many years the U.S. government's General Social Survey has been asking people how happy they are. In Europe, since the early 1970s, the Eurobarometer Survey has measured life-satisfaction in every country, including Britain, and so has our own British Household Panel Survey since 1996.

So what kinds of measurement are we talking about? One key indicator is life-satisfaction. We should measure it but we should also measure satisfaction with the different domains of a person's life – their family, work, community, income, physical health, mental health and so on. A properly-weighted index of these is probably a more accurate measure than the answer to one question only about overall life satisfaction.

Another indicator is happiness measured over a period of time. To reduce recall bias, the period is often restricted to yesterday, and the answer can be made more precise still by the so-called Day Reconstruction Method in which the day is divided into episodes, and questions are asked about the quality of experience in each episode.

A third type of indicator gets at mental health (positive and negative) – sometimes called the Aristotelian or eudaimonic measure. The consultation should cover all these possibilities.

But do the answers mean anything? Yes, for at least four reasons.

1. There are well-measured features of brain activity, as well as bodily function that are well correlated with the answers to those questions.
2. What friends say about a person are closely related to what he says about himself.
3. A person's reported happiness predicts a lot about his behaviour – like whether he will quit his job, and

4. We can explain a great deal of the variation of reported happiness.

3. What causes happiness?

So what does affect happiness, measured in these ways? Income certainly does at the individual level. But it is largely income relative to others. So at the level of society it is not surprising that average happiness is no higher than in the 1950s despite the huge increases in average income. To raise average happiness we have to look mainly to the other factors which affect happiness. Those are chiefly human relationships – either at home, at work or in the community. Here both social factors and personal factors are important. In society there has been a huge fall in trust. Forty years ago 60% of people believed that “Most other people can be trusted”. Now both in the U.S. and Britain it has fallen to around 30%. But personal factors are also crucial – in particular mental health. If you take a sample of adults aged 34 and try to explain their life-satisfaction, you can explain four times as much by their mental health eight years earlier as by their current income. So in my view the greatest form of deprivation is mental illness – the inability to enjoy anything.

Moreover, if we look at how individuals affect others, we can see that mental illness imposes extraordinary costs on others – disrupted classes in school, neighbours from hell, crime on the streets, poor parenting and massive benefit dependence. We have shockingly neglected these issues, and in our materialism we have given more priority to school buildings than to the widespread misery and chaos inside them.

Until recently material needs were of course pressing. They were the focus of the Beveridge report and this may have been right in Beveridge’s time. But by now we have largely mastered external nature, and the focus has to be more on mastering ourselves and our human relationships.

4. Policy

So turning to policy, this must increasingly focus on helping people towards better relationships and better modes of behaviour. There are already in Britain important policy shifts

- more support for the early years, and training for parents of disturbed children
- in schools, more emphasis on social and emotional learning
- in health, improved access to psychological therapy for both adults and children (thank you very much to the last two CSRs)

And so on. The new measurements proposed by the ONS will help us to see more clearly still where the problems are and how well we are helping to deal with them.

Conclusion

Let me draw a few conclusions

1. Well-being is quite definitely the business of government and in the long term we can hope that much of policy will be aimed directly at measuring well-being.
2. Well-being can be measured. It is great that we are going to be doing this and let me wish Jil the best of luck. And finally
3. There is no point measuring well-being unless we can explain it. We already know a good bit about this, but to base serious policy decisions on it we need to know ten times more than we currently do. We are now roughly where macroeconomics was in the 1950s when the GNP was first measured. We need a huge social science effort to estimate relevant models of how people's well-being is determined and how it is affected by government policy. Perhaps someone could find the money.

(1,482 words)